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(71) Applicant (for all designated States except US): DRYDEN
MATRIX TECHNOLOGIES LLC [US/US]; 185 Second
Street, Highspire, PA 17034 (US).

(72) Inventors; and

(75) Inventors/Applicants (for US only): RIDLEY, John,

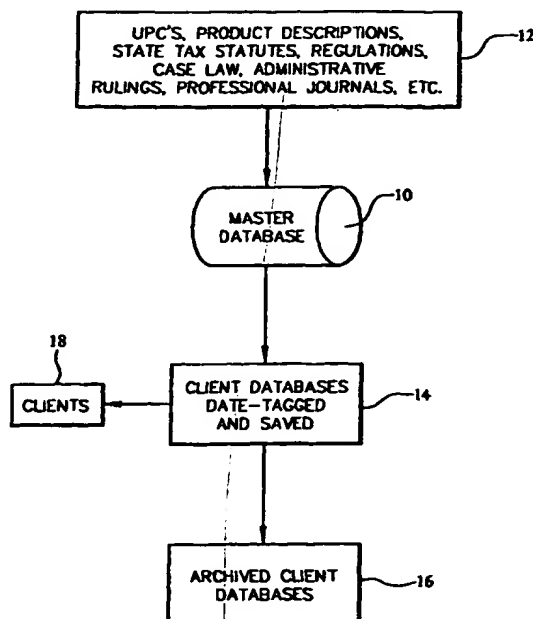
O. [US/US]; 981 Timber Lane, Middletown, PA 17057
(US). JOHNSON, Kevin, C. [US/US]; 713 Camp Woods
Road, Villanova, PA 19085 (US). JOHNSON, Brendan,
P. [US/US]; 713 Camp Woods Road, Villanova, PA 19085
(US). FELKER, William, C. [US/US]; 1388 Simpson
Ferry Road, New Cumberland, PA 17070 (US).

(74) Agent: LETCHFORD, John, F.; Klehr, Harrison, Harvey,
Branzburg & Ellers, 260 South Broad Street, Philadelphia,
PA 19102 (US).

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(54) Title: ADAPTIVE SYSTEM FOR POINT OF SALE TAX ASSESSMENT



(57) Abstract: An adaptive computerized system of assessing the taxability of goods or services sold at retail or wholesale. The system has the capability to conduct an analysis of all products and/or services sold by a retailer or wholesaler and provide the seller with the ability to monitor the tax status and tax rates of any goods or services sold by the seller at the point of sale in any number of taxing jurisdictions in near real time. The system includes a master database which links barcode technology such as UPC to tax assessment information for point of sale goods and/or services transactions made by any number of merchants in potentially unlimited taxing jurisdictions. The master database can modify its own content and that of the merchants' databases to reflect any additions of newly offered goods or services, deletions of goods or services no longer offered, and changes in tax status or tax rate of goods or services still being offered for sale.

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ADAPTIVE SYSTEM FOR POINT OF SALE TAX ASSESSMENTFIELD OF THE INVENTION

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The present invention relates in general to systems for sales tax assessment and, in particular, to an adaptive system for point of sale sales tax assessment based on bar code technology.

10

BACKGROUND OF THE INVENTION

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Sales taxes are commonly applied by local, state and federal taxing authorities to myriad goods and services offered for sale in the United States. For example, forty-five states presently impose state sales tax on goods and services sold in those states. Local governments within those and other states may assess similar taxes, and the federal government may impose luxury or other sales taxes or levies on certain goods or services. Other countries or regions may impose similar taxes commonly known as value added taxes or VATs.

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Barcode scanned point of sale transactions constitute the vast majority of automated wholesale and retail sales presently conducted in the United States and elsewhere. In a typical barcode transaction, an object bearing a barcode such as a Universal Product Code or UPC on its exterior or its packaging is scanned

by a barcode reader to register the transaction. In the process of scanning, the barcode reader normally retrieves transactional information associated with the goods or services being purchased such as a description of the goods or services, the cost of the goods or services, the presently known tax status of the goods or services (e.g., taxable, non-taxable, tax-exempt) in the taxing jurisdiction in which the goods or services are sold, and the presently known tax rate associated with the goods or services, if taxable, in the taxing jurisdiction in which the goods or services are sold. Records of these transactions may be stored locally or at a central location. The wholesaler or retailer periodically forwards the sales taxes collected thereon to the appropriate state and/or local taxing authorities.

For companies operating in relatively localized markets, the task of maintaining the accuracy and integrity of its UPC- encoded tax information with reasonable timeliness may be quite manageable. However, for companies that sell hundreds or thousands of UPC-encoded products or services and conduct business nationally or globally in many taxing jurisdictions, maintaining current and reliable UPC-based tax assessment information may be daunting. Moreover, in the absence of up-to-date sales tax information, such companies may expose themselves to considerable tax liability for undertaxing or failing to tax its taxable goods and services. Conversely, if a company overtaxes its customers on taxable transactions or, alternatively, charges tax on non-taxable or tax-exempt transactions, the attendant inflated prices of its goods or services may deleteriously impact the

company's ability to compete in the marketplace and, possibly, expose the company to legal liability.

5 Several automated systems are known that address point of sale sales tax issues such as monitoring, assessment and collection.

For example, U.S. Patent No. 5,644,724, 5,774,872, 5,799,283 and 5,875,433 disclose automatic sales tax collection and remittance systems.

10 U.S. Patent No. 5,924,077 describes an automated system for monitoring point of sale business information data including whether sales tax is or is not charged at the point of sale.

15 U.S. Patent No. 5,335,169 provides an automated system whereby the system user may track multiple types of sales tax assessments for different taxing authorities.

20 And, U.S. Patent No. 5,819,249 discloses a system which is also adaptable to compute, inter alia, sales or use tax status for transactions in multiple taxing jurisdictions. The system employs an interactive question and answer type program whereby the user of the system is prompted by the program to respond to a series of inquiries whereby the nature of the user's responses determines the tax status of a transaction in a desired jurisdiction.

25 The present inventors are aware of no independent third party services which employ an adaptive system including a master point of sale tax assessment database compiled from the contents of a plurality of client databases, whereby the master database serves as a repository for the tax status and tax rate information for the clients' collective inventories of goods and services and against which any individual client's sales tax database may be quickly compared,

modified and saved upon request. Hence, the present inventors believe that the systems described in the aforementioned U.S. patents would appear to rely on tax status databases compiled by personnel employed or contracted by the individual systems users from sundry sources such as state and local tax authorities and professional journals to create and maintain internal tax status databases unique to each user. To be even remotely reliable, the content of the databases cannot be static and must be periodically updated. However, the speed and frequency at which such updates are performed may be less than desirable. This is because considerable time and research may be required for employee or contractor tax specialists, even if working in teams, to compile all of the latest product information and tax status and rate information that may be applicable to all of the many jurisdictions in which a company, especially a large company, may conduct business. It will be appreciated that prohibitive budgetary and time constraints would effectively prevent essentially real-time maintenance of such databases. Consequently, it is likely that, if placed into actual service, the systems disclosed in the patents frequently would perform their tax status monitoring functions in reliance upon outdated information which might expose the users of the systems to considerable economic harm and, possibly, tax or other legal liabilities.

An advantage exists, therefore, for an adaptive system including a master database in which tax assessment information from unlimited taxing jurisdictions may be stored, continuously updated and easily matched with virtually any barcode transactable point of sale product or service offered for sale by

any wholesaler or retailer that is a participant in or client of the system. A further advantage exists for such a system wherein the system employs widely available technology, such as Universal Product Code or UPC technology, as the basis for identifying, monitoring and modifying tax status information relating to product and/or services listings in the master database and client databases. A unique advantage of using barcode technology such as UPC as a commodity identifier is that it minimizes the possibility of errors in matching the commodity to its tax status in any taxing jurisdiction. That is, each UPC barcode is uniquely associated with a particular product or service, and the same UPC barcode is used on or in connection with the particular product or service regardless of the taxing jurisdiction in which the product or service is transacted.

An adaptive system founded on a master database which links barcode technology such as UPC to unlimited tax jurisdictions thus enables all point of sale wholesalers and retailers that interact with the system to contribute to and share in the development of the content of the master database. Since some merchants may sell some barcoded goods and/or services that another may not, each merchant contributes to the collective compilation of the master database. In addition, jurisdictional tax information is centrally compiled by the system and not the participants. As such, the participants are not hampered by having to continually employ or contract tax specialists to monitor changes in tax law in potentially large numbers of taxing jurisdictions. In addition to the obvious benefits of reduced cost and increased speed and reliability, the ability of the participants to access

the shared information permits a participant to obtain product and/or service point of sale tax assessment information not only in taxing jurisdictions in which it presently does business but also in taxing jurisdictions in which it may wish to do business in the future.

SUMMARY OF THE INVENTION

10 The present invention provides an adaptive computerized system of assessing the taxability of goods or services sold at retail or wholesale. The system has the capability to conduct an analysis of all products and/or services sold by a retailer or
15 wholesaler and provide the seller with the ability to monitor the tax status and tax rates of any goods or services sold by the seller at the point of sale in any number of taxing jurisdictions in near real time.

20 The system includes a master database which links barcode technology such as UPC to tax assessment information for point of sale goods and/or services transactions made by any number of wholesalers or retailers in potentially unlimited taxing jurisdictions. The system functions in a way that all
25 wholesalers or retailers that utilize barcode technology in their point of sale transactions and that use the system contribute to the development of the content of the master database. Thus, the greater the number of participants in the system, the more
30 comprehensive the content of the master database becomes, which inures to the benefit of all participants. Indeed, the master database of the adaptive system disclosed herein may be expected to support tax status information for hundreds of

thousands or even millions of barcode transacted point of sale goods and services in unlimited local, state, federal and, optionally, foreign tax jurisdictions.

Each participant may also share in the master
5 database information provided by other participants. In addition, jurisdictional tax information is centrally compiled by the system and not the participants. As such, the individual participants are not hampered by having to permanently or periodically
10 employ or contract with tax professionals to monitor changes in tax law in potentially large numbers of taxing jurisdictions and independently bear the costs of such efforts. The ability of the participants to access the shared information also permits a
15 participant to obtain product and/or service point of sale tax assessment information not only in taxing jurisdictions in which it presently does business but also in taxing jurisdictions in which it may wish to do business in the future.

20 At their discretion, participants may periodically access the system to update their own internal barcode-based point of sale goods and services tax assessment databases by providing the system with the participants' current versions of their specific
25 databases. In so doing, the master database can modify its own content and that of the participants' databases to reflect any additions of newly offered goods or services, discontinuations of goods or services no longer offered, and changes in tax status or tax rate
30 of goods or services still being offered for sale.

Other details, objects and advantages of the present invention will become apparent as the following description of the presently preferred embodiments and

presently preferred methods of practicing the invention proceeds.

BRIEF DESCRIPTION OF THE DRAWINGS

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The invention will become more readily apparent from the following description of preferred embodiments thereof shown, by way of example only, in the accompanying drawings, wherein:

10

FIG. 1 is a schematic view of a presently preferred process by which the master database of the adaptive system according to the invention is compiled and the master database and all archived client databases are maintained;

15

FIG. 2 is a schematic view of a presently preferred process by which a new client's point of sale UPC database is processed by the adaptive system according to the invention;

20

FIG. 3 is a schematic view of a presently preferred process by which an existing client's UPC database is updated and maintained by the adaptive system according to the invention; and

25

FIG. 4 is a simplified schematic view of a presently preferred process by which an existing client may seek information on new UPCs.

30

DETAILED DESCRIPTION OF THE INVENTION

The adaptive system of the present invention may reside on any dedicated or general purpose computer,

work station or server having sufficient memory storage and processing speed capabilities to support any operating system and executing any computer language and software to efficiently carry out the essential functions prescribed herein. As such, the details of the adaptive system's hardware and software will not be described in detail since they are commercially available and do not, per se, form a part of the present invention. For example, although not limited thereto, the adaptive system may function as a user-interactive and, preferably, client-interactive network based server and may reside on an IBM ® compatible or other personal computer capable of running software commercially available under the name Microsoft ® Office 2000 Professional produced by Microsoft Corp. of Redmond, WA. Under all circumstances, however, the adaptive system and its supporting hardware and software should be able to permit compilation, storage and modification of master and client databases including potentially vast numbers of barcode designations, a product or service description associated with each barcode designation, and tax assessment information associated with each barcode and its corresponding product or service (i.e., whether an item is taxable, non-taxable or tax-exempt and, if taxable, the appropriate tax rate therefor) in any taxing jurisdictions of potential interest to the adaptive system's owner, user or clients.

For simplicity of description and brevity of discussion, FIGS. 1 through 4 generally reference tax assessments based on state law and in connection with UPC-transacted goods or services. It will be understood, however, that the adaptive system according to the invention may also be programmed to compile and

process information relating to goods or services transacted by other barcode technologies, as well as tax assessment information for any local, federal and/or foreign taxing jurisdictions.

5 Heretofore, point of sale tax status information has been compiled by tax specialist employees or contractors of a specific merchant. The information obtained was made available only to that merchant and related exclusively to its particular goods and/or
10 services and encompassed only the tax jurisdictions within which it conducted business. A significant distinction and advantage of the tax status information gathering and processing functions performed by the adaptive system of the present invention is that it
15 enables two or more merchants to combine their respective barcode-based tax status databases to produce a collective master database whose expanded content may be utilized by and for the benefit of all of the participating merchants. In the past, the cost
20 and time burdens of compiling and maintaining, in near real time, a comprehensive tax status database for individual merchants operating in multiple tax jurisdictions have been prohibitive.

 In this light and referring to FIG. 1, there is
25 shown in schematic form a presently preferred process or method by which a master database of the adaptive system according to the invention is compiled and the master database and all client databases are maintained. As previously mentioned, the adaptive
30 system of the present invention comprises a master database, which is identified in the drawings by reference numeral 10. In amassing the content of master database 10, operators or users of the adaptive system compile barcode and related point of sale goods

and/or services information from at least two merchants in addition to relevant tax assessment information encompassed in the master database for those goods and/or services. In the illustrated example, at step 12 the adaptive system may receive from the merchants or clients a plurality of UPCs and the associated goods/services descriptions for some or, more likely, all of the goods and/or services that may be offered for sale by two or more merchants. The merchants or clients may provide the requisite information by any suitable medium such as ASCII format, the World Wide Web (e.g., secure site, FTP, encrypted database, e-mail), disk (e.g., floppy, CD, zip), tape or cartridge, or by direct connection (e.g., perform the operation at the client location with a laptop computer).

Concurrently with and after receiving the UPC and goods/services descriptions from the clients, operators of the adaptive system conduct research to gather tax assessment information for the identified goods and services from numerous reliable sources including, without limitation, state tax statutes, regulations, case law and administrative rulings, as well as trade journals, periodicals, and other reliable print, broadcast and on-line sources. All of the gathered tax assessment information (including whether an item is taxable, non-taxable or tax-exempt and, if taxable, the appropriate tax rate therefor) is then correlated for each barcode and each good or service in each taxing jurisdiction and stored in master database 10.

At step 14, each specific client database is date-tagged and saved. At the moment of saving and date-tagging, the client's barcoded point of sale goods and/or services are automatically positioned into compliance with the prevailing tax laws of the taxing

jurisdictions in which it does business. The purpose of date-tagging the clients' databases is that it establishes for each client a date upon which a client may rely in the event the client's point of sale tax records are later audited. Upon date-tagging and saving, the respective client files are archived at step 16, a copy of the client database is returned to the client at step 18 and the content of each client database becomes a subpart of the body of information which makes up master database 10.

Tax research conducted in support of the adaptive system is preferably an ongoing process. Accordingly, as tax assessment changes are discovered for any barcoded product or service in the master database 10 in any taxing jurisdiction included in the master database, those changes are automatically entered into the master database and to all relevant client databases. The tax research may occasionally unearth certain point of sale goods or services whose tax status is uncertain in one or more taxing jurisdictions of interest to the client. In such "gray area" situations, the master database may be programmed to assign a "taxable", "non-taxable" or "tax-exempt" status and a tax rate to the item in question until the issue is clarified by the appropriate taxing authority. Such defaulting to a certain tax status allows individual clients to take conservative to liberal approaches to their point of sale tax assessment. A further advantage of continuous tax information gathering is that adaptive system of the present invention can monitor proposals of tax changes published in advance of the actual changes. In the event the anticipated change transpires, the master

database 10 and the relevant client databases can be revised in near real time to reflect the change.

FIG. 2 depicts a situation wherein a new participant or client merchant's point of sale UPC database is processed by the adaptive system of the present invention. At step 20, the new client 20 delivers its UPCs and associated product/service descriptions to the adaptive system by any of the aforementioned media. At step 22 the master database 10 is invoked and a comparison between the contents of the client database and the master database is made to determine whether any of the client's UPCs match those stored in the master database 10. If one or more of the client's submitted UPCs do not match the master database, the nonmatching UPC or UPCs are researched at step 24 to determine their validity, accuracy and tax assessment characteristics in the taxing jurisdictions encompassed by the master database 10, and, if appropriate, are added to the master database 10.

If any of the new client's UPCs match those of the master database, then the state tax assessment information (or any other pertinent taxing jurisdiction's tax assessment information) of the product or service associated with the UPC or UPCs is checked at step 26 against current tax assessment information in the relevant taxing jurisdiction(s). If appropriate, the tax assessment information of the client's UPCs will be updated to reflect the proper tax status. Thereafter, the client's database is date-tagged at step 28, the client database is archived at step 30 and the client is provided a revised and saved version of its UPC database at step 32.

FIG. 3 represents a situation where an existing client of the adaptive system desires to update its UPC

tax status database. If desired, the process illustrated in FIG. 3 may be used to update any portion or all of the existing client's database. It will be understood that the clients' archived databases and master database 10 are continually and automatically updated by virtue of ongoing changes in bar codes, product or service descriptions and/or tax assessment changes received by the system. At step 34 the client requests that the adaptive system perform the update. Upon receipt of the request, the adaptive system at step 36 invokes the client's archived database and, at step 38, the adaptive system compares the content of the client's present database with that of the client's archived database. If a UPC exists in both the present and archived client databases, the adaptive system determines at step 40 whether any conflicts exist between the present and archived versions of the client databases for that UPC in any taxing jurisdictions of interest to the client. If a conflict does exist, the adaptive system changes the tax assessment characteristics to the proper assessment values at step 42.

If comparison step 38 reveals a new UPC or UPCs not present in the client's archived database (step 44), the new UPC or UPCs are researched at step 46 to determine their validity, accuracy and tax assessment characteristics in the taxing jurisdictions encompassed by the master database 10, and, if appropriate, are added to the master database 10. If comparison step 38 reveals a UPC or UPCs that is present in the client's archived database but not in the client's present database submitted for comparison, the conflicting UPC entry or entries are noted as being discontinued from the client's database at step 48. The data output from

steps 42, 46 and 48 is date-tagged at step 50, the updated client database is archived at step 52 and the client is provided with a revised and saved version of its UPC database at step 54.

5 FIG. 4 illustrates the manner in which a client 56 may subscribe to the adaptive system of the present invention through the Internet or other broadband network. As the need arises, client 56 may selectively update its client database. Similar to the way in which
10 any Internet subscriber may enter any posted website, client 56 enters the website address of the operator of the adaptive system and receives a logon screen (not illustrated). The client enters a client number previously assigned to it by the adaptive system
15 operator followed by an access number or password. After validation, a query screen appears in which the client enters the requested UPC. At step 58, the adaptive system records the UPC and compares it with a copy of the master database. If the UPC is found in the
20 master database, a product or service description is returned by the adaptive system along with the current tax assessment characteristics for the product or service in the states or other taxing jurisdictions for which the client subscribes. If the requested UPC is
25 not found in the master database, an input screen appears and the UPC is preferably filled in automatically. The client then enters the product or service description and transmits the information from the completed input screen to the adaptive system. Each
30 such UPC is then researched at step 60 to determine its validity, accuracy and tax assessment characteristics in the taxing jurisdictions encompassed by the master database, and, if appropriate, is added to the master database 10. At step 60, the adaptive system notifies

the client of the results of the search by the client's method of choice.

5 Although the invention has been described in detail for the purpose of illustration, it is to be understood that such detail is solely for the purpose and that variations can be made therein by those skilled in the art without departing from the spirit and scope of the invention except as it may be limited by the claims.

CLAIMS

What is claimed is:

- 5 1. A method of compiling a tax assessment database for point of sale goods or services transacted via barcode technology, said method comprising the steps of:
- 10 gathering barcode information and goods or services description information corresponding to said barcode information from a plurality of clients;
- gathering tax assessment information for each of said goods or services for desired taxing
- 15 jurisdictions;
- correlating said barcode information and said goods or services description information with said tax assessment information; and
- 20 storing said barcode information, said goods or services description information and said tax assessment information in a master database.
- 25 2. The method of claim 1 wherein said barcode information is the Universal Product Code.
3. The method of claim 1 wherein said tax assessment information comprises an indication of whether a good or a service is taxable, non-taxable or tax-exempt.
- 30 4. The method of claim 3 wherein, if a good or service is indicated as being taxable, said tax assessment information further includes a tax rate associated with the good or service.

5. The method of claim 1 wherein said taxing jurisdictions comprise local taxing jurisdictions.

5 6. The method of claim 1 wherein said taxing jurisdictions comprise state taxing jurisdictions.

7. The method of claim 1 wherein said taxing jurisdictions comprise federal taxing jurisdictions.

10 8. The method of claim 1 wherein said taxing jurisdictions comprise foreign taxing jurisdictions.

15 9. The method of claim 1 further comprising the steps of comparing a new client database with said master database, and modifying said master database to include information from said new client database.

20 10. The method of claim 1 further comprising the steps of comparing a new client database with said master database, and modifying said new client database to include information from said master database.

25 11. The method of claim 10 further comprising date-tagging said new client database.

12. The method of claim 11 further comprising providing a new client with said date-tagged new client database.

30 13. The method of claim 10 further comprising providing a new client with said modified new client database.

14. The method of claim 10 further comprising archiving said new client database.

5 15. A method of maintaining a client tax assessment database for point of sale goods or services transacted via barcode technology, said method comprising the steps of:

10 gathering barcode information and goods or services description information corresponding to said barcode information from a plurality of clients;

gathering tax assessment information for each of said goods or services for desired taxing jurisdictions;

15 correlating said barcode information and said goods or services description information with said tax assessment information;

storing said barcode information, said goods or services description information and said tax assessment information in a master database;

20 comparing said client database with an archived client database; and

modifying said client database to include updated tax assessment information from said master database.

25 16. The method of claim 15 wherein said barcode information is the Universal Product Code.

30 17. The method of claim 15 wherein said tax assessment information comprises an indication of whether a good or a service is taxable, non-taxable or tax-exempt.

18. The method of claim 17 wherein, if a good or service is indicated as being taxable, said tax assessment information further includes a tax rate associated with the good or service.

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19. The method of claim 15 further comprising date-tagging said client database.

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20. The method of claim 19 further comprising providing a client with said date-tagged client database.

15

21. The method of claim 15 further comprising providing a client with said modified client database.

22. The method of claim 15 further comprising archiving said client database.

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23. The method of claim 15 further comprising modifying said master database to include barcode information and goods or services information from said client database.

25

24. The method of claim 15 wherein said taxing jurisdictions comprise local taxing jurisdictions.

25. The method of claim 15 wherein said taxing jurisdictions comprise state taxing jurisdictions.

30

26. The method of claim 15 wherein said taxing jurisdictions comprise federal taxing jurisdictions.

27. The method of claim 15 wherein said taxing jurisdictions comprise foreign taxing jurisdictions.

28. A method of maintaining a client tax assessment database for point of sale goods or services transacted via barcode technology, said method comprising the steps of:

5 gathering barcode information and goods or services description information corresponding to said barcode information from a plurality of clients;

 gathering tax assessment information for each of said goods or services for desired taxing
10 jurisdictions;

 correlating said barcode information and said goods or services description information with said tax assessment information;

 storing said barcode information, said goods or services description information and said tax
15 assessment information in a master database;

 accessing said master database by a client, said client inquiring as to the tax assessment characteristics of at least one item of barcode
20 information;

 comparing said at least one item of barcode information with said master database; and

 modifying said client database to include updated tax assessment information from said master database
25 for said at least one item of barcode information for at least one taxing jurisdiction of interest to said client.

29. The method of claim 28 wherein said barcode
30 information is the Universal Product Code.

30. The method of claim 28 wherein said tax assessment information comprises an indication of whether a good or a service is taxable, non-taxable or tax-exempt.

31. The method of claim 30 wherein, if a good or service is indicated as being taxable, said tax assessment information further includes a tax rate associated with the good or service.

5

32. The method of claim 28 wherein said step of accessing said master database is performed via a broadband network.

10

33. The method of claim 32 wherein said broadband network is the Internet.

34. The method of claim 28 wherein said taxing jurisdictions comprise local taxing jurisdictions.

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35. The method of claim 28 wherein said taxing jurisdictions comprise state taxing jurisdictions.

20

36. The method of claim 28 wherein said taxing jurisdictions comprise federal taxing jurisdictions.

37. The method of claim 28 wherein said taxing jurisdictions comprise foreign taxing jurisdictions.

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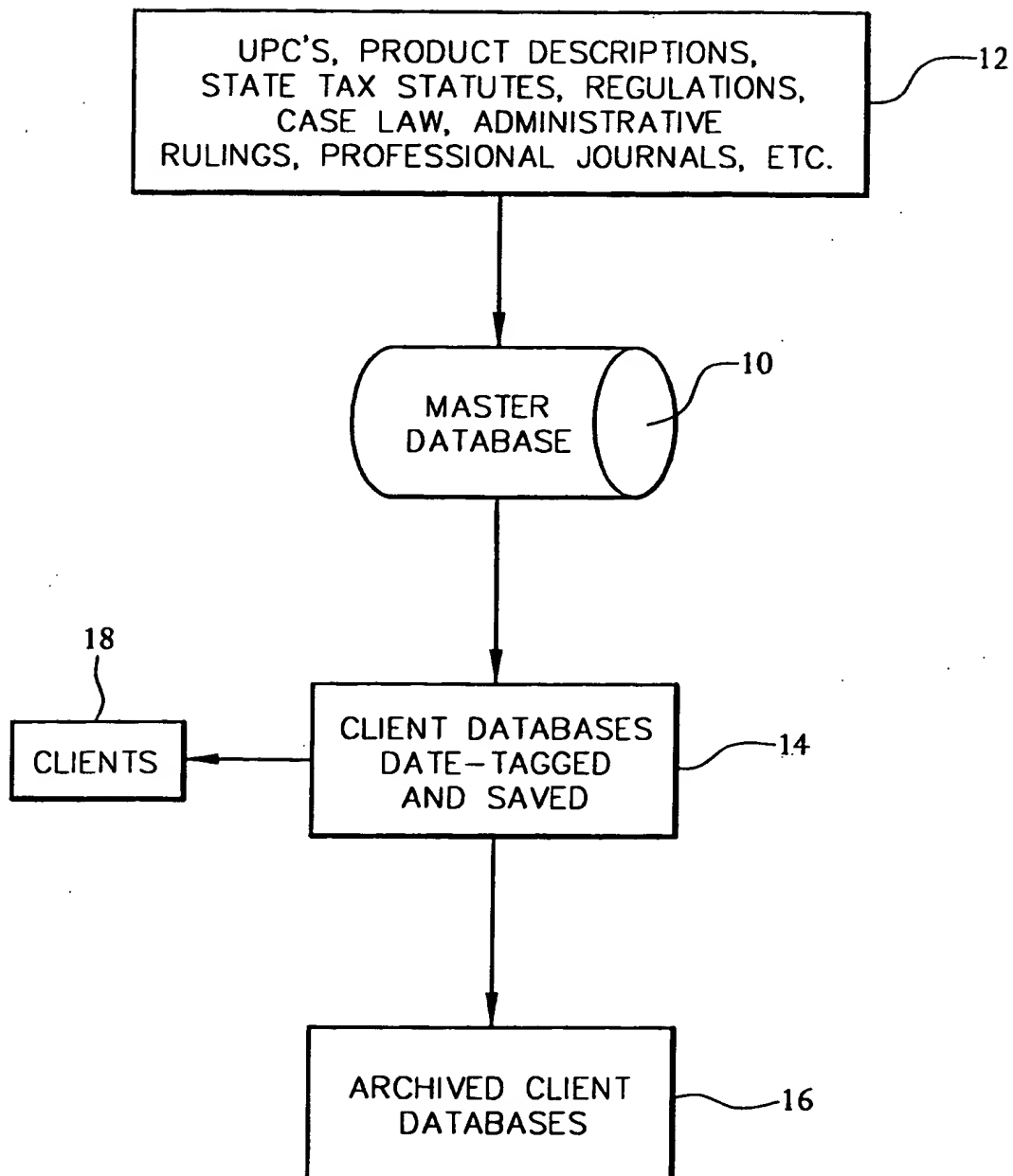


FIG. 1

2/4

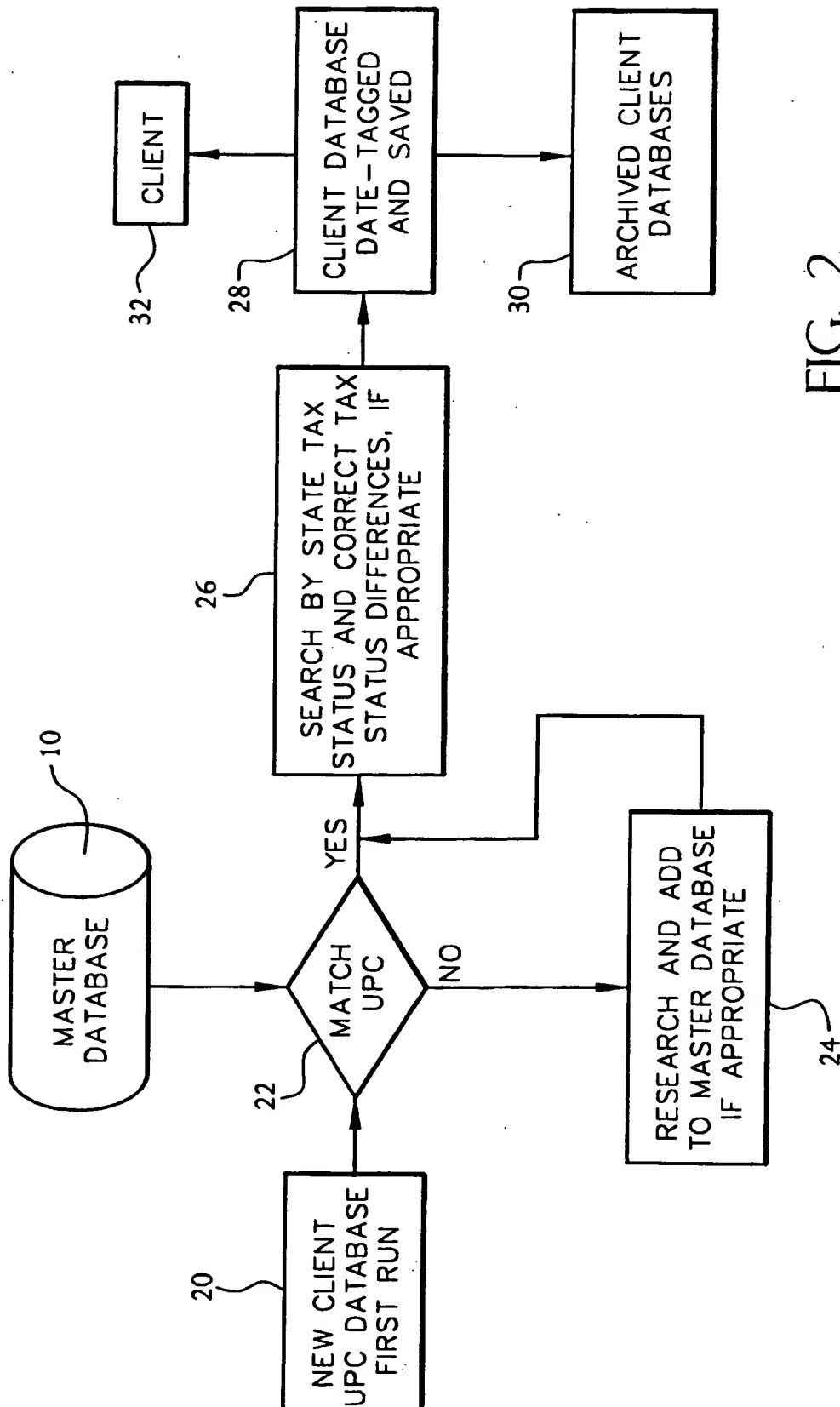


FIG. 2

3/4

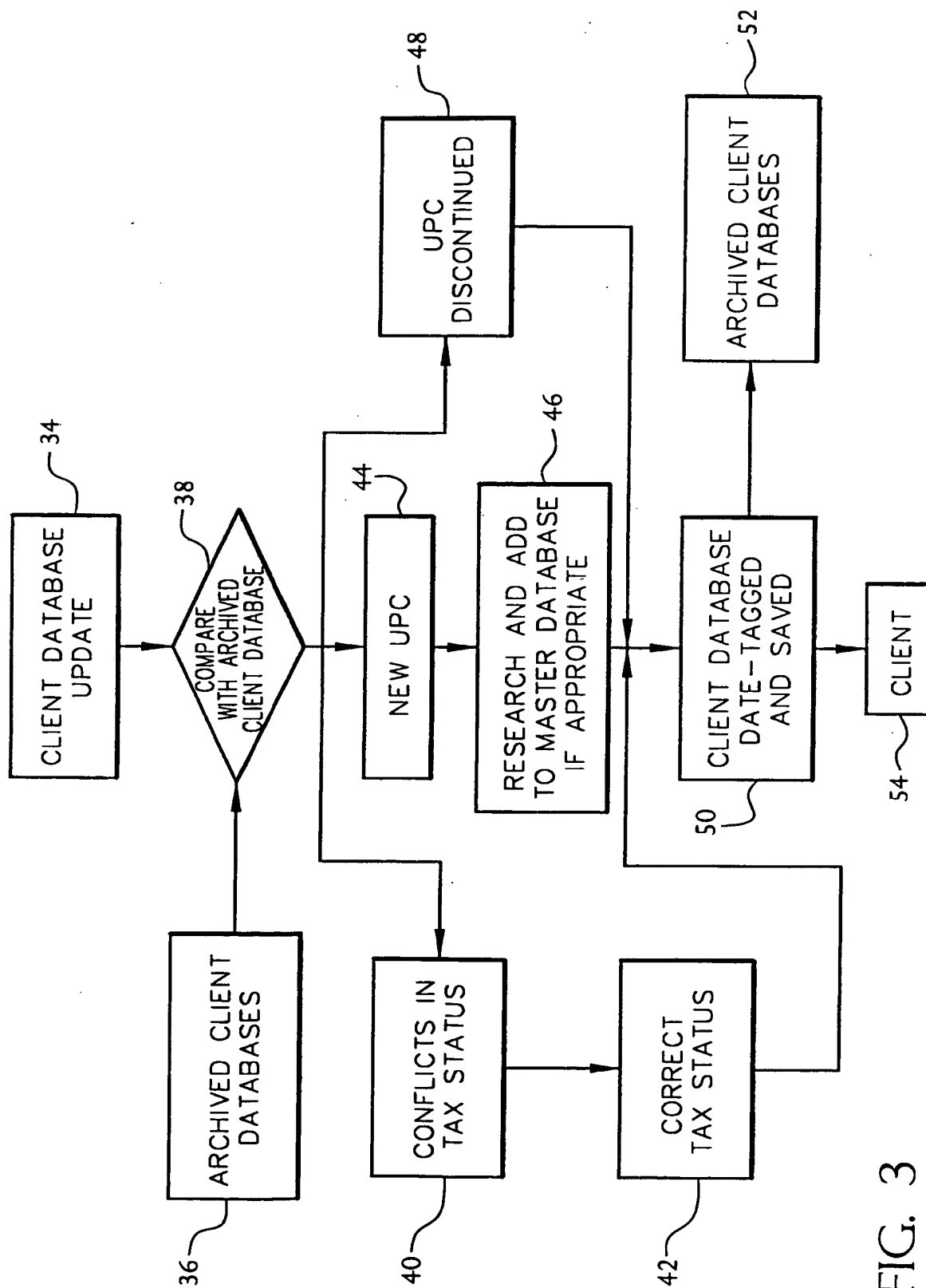


FIG. 3

4/4

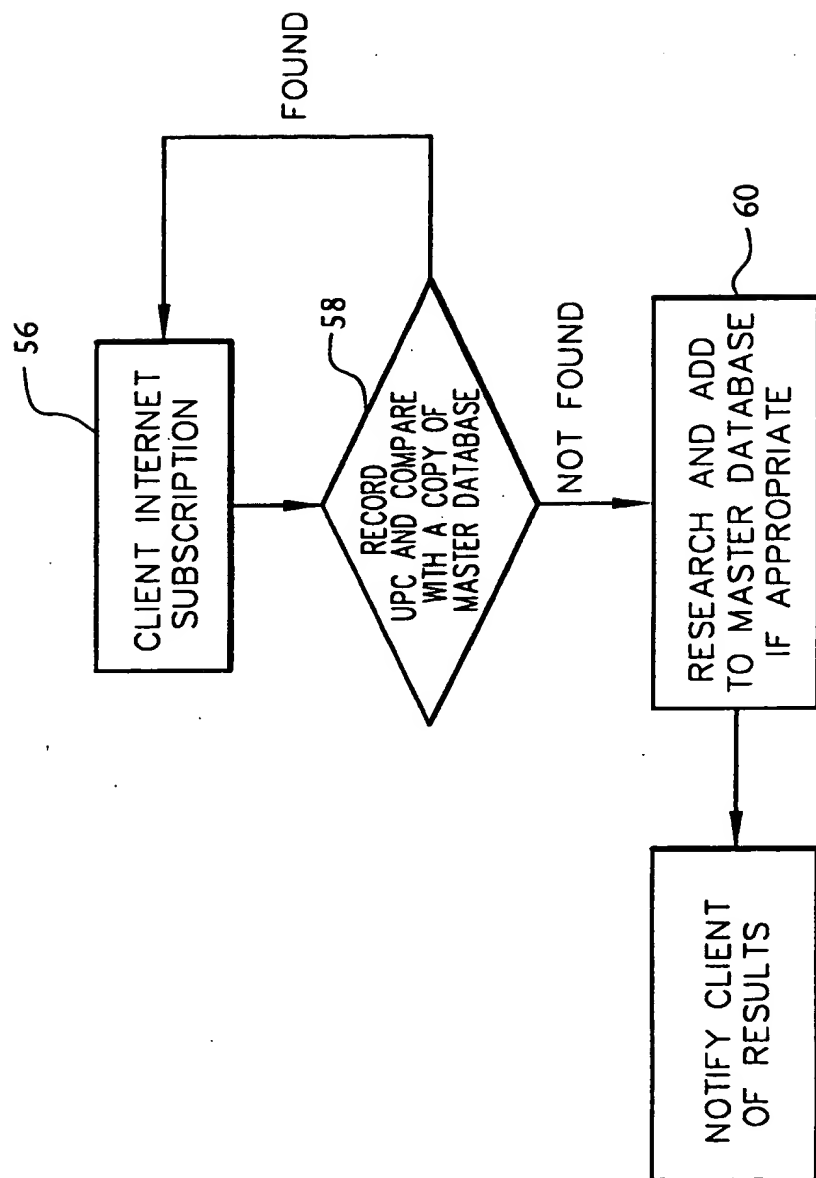


FIG. 4